

A national honor society for women organized to recognize scholastic achievements and to serve universities and colleges where chapters are established qualifies for exemption under section 501(c)(3) of the Code.

The Internal Revenue Service has been asked whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The organization is a national honor society for women with chapters and associated alumnae clubs at various colleges and universities. The purposes of the organization are to maintain a high standard of scholarship, to recognize and encourage leadership, and to advance the spirit of service and understanding.

Membership in the local chapter is selected from women who have demonstrated outstanding scholastic achievement, leadership ability, and school service. The members are selected by a board composed of university officials and chapter members with final approval by the national organization.

The chapters undertake programs for the benefit of their schools, such as tutorial programs, leadership conferences for officers of student organizations, school service projects, awarding scholarships to undergraduates, and recognizing distinguished scholastic achievement. The chapters do not provide living accommodations for members and any social activities are insubstantial.

After graduation, chapter members may join alumnae clubs that are associated with the chapter at their school. The clubs assist the chapters in their programs and provide scholarships for collegiate members and other qualified students at a college or university.

The national organization publishes a quarterly magazine in which the programs and projects of chapter are discussed, outstanding members are recognized, and the views of the organization concerning educational trends are expressed.

Income is from membership fees and fund raising by the chapters and alumnae clubs. Disbursements are for the magazine publication, the awards, and the various school service programs.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term 'charitable' is used in section 501(c)(3)

in its generally accepted legal sense, which includes advancement of education.

An organization organized to encourage and recognize outstanding achievements of citizens toward the progress and betterment of human endeavor is exempt under section 501(c)(3) of the Code. See Rev. Rul. 66-146, C.B. 1966-1, 136. Awarding scholarships to students based upon scholastic standing is advancing education. See Rev. Rul. 69-257, C.B. 1969-1, 151. By recognizing and encouraging scholastic achievement and leadership ability, and providing service to the schools, the organization in this case furthers the overall educational programs of the universities and colleges.

Accordingly, it is held that the organization is exempt from Federal income tax under section 501(c)(3) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1023, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.

Compare Revenue Ruling 64-117, C.B. 1964-1 (Part 1), 182, which holds that an organization selecting its members from a college class of junior students on the basis of their intellectual and social compatibility with other members rather than on such qualities as scholarship or student leadership, does not qualify for exemption from Federal income tax under section 501(c)(3) of the Code.